

AN ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF UMVOTI MUNICIPALITY

ANNUAL BUDGET OF

UMVOTI MUNICIPALITY

2013/14 TO 2015/16
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

Copies of this document can be viewed:

- Finance department
- All public libraries within the municipality
- At www.umnvoti.gov.za

Abbreviations and Acronyms

| | | | |
|--------|--|-------|---|
| AMR | Automated Meter Reading | ℓ | litre |
| ASGISA | Accelerated and Shared Growth Initiative | LED | Local Economic Development |
| BPC | Budget Planning Committee | MEC | Member of the Executive Committee |
| CBD | Central Business District | MFMA | Municipal Financial Management Act Programme |
| CFO | Chief Financial Officer | MIG | Municipal Infrastructure Grant |
| CM | City Manager | MMC | Member of Mayoral Committee |
| CPI | Consumer Price Index | MPRA | Municipal Properties Rates Act |
| CRRF | Capital Replacement Reserve Fund | MSA | Municipal Systems Act |
| DBSA | Development Bank of South Africa | MTEF | Medium-term Expenditure Framework |
| DoRA | Division of Revenue Act | MTREF | Medium-term Revenue and Expenditure Framework |
| DWA | Department of Water Affairs | NERSA | National Electricity Regulator South Africa |
| EE | Employment Equity | NGO | Non-Governmental organisations |
| EEDSM | Energy Efficiency Demand Side Management | NKPIs | National Key Performance Indicators |
| EM | Executive Mayor | OHS | Occupational Health and Safety |
| FBS | Free basic services | OP | Operational Plan |
| GAMAP | Generally Accepted Municipal Accounting Practice | PBO | Public Benefit Organisations |
| GDP | Gross domestic product | PHC | Provincial Health Care |
| GDS | Gauteng Growth and Development Strategy | PMS | Performance Management System |
| GFS | Government Financial Statistics | PPE | Property Plant and Equipment |
| GRAP | General Recognised Accounting Practice | PPP | Public Private Partnership |
| HR | Human Resources | PTIS | Public Transport Infrastructure System |
| HSRC | Human Science Research Council | RG | Restructuring Grant |
| IDP | Integrated Development Strategy | RSC | Regional Services Council |
| IT | Information Technology | SALGA | South African Local Government Association |
| kℓ | kilolitre | SAPS | South African Police Service |
| km | kilometre | SDBIP | Service Delivery Budget Implementation Plan |
| KPA | Key Performance Area | SMME | Small Micro and Medium Enterprises |
| KPI | Key Performance Indicator | | |
| kWh | kilowatt | | |

Part 1 – Annual Budget

2.1 Mayor's Report

Not available at date of printing

2.2 Council Resolutions

On 24th June 2013 the Council of Umvoti Local Municipality met in the Council Chambers of Umvoti 41 Bell Street to consider the annual budget of the municipality for the financial year 2013/14. The Council approved and adopted the following resolutions:

1. The Council of Umvoti Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2013/14 and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 12 on page 20;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 13 on page 22;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 14 on page 23; and
 - 1.1.4. Single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 15 on page 25.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 16 on page 26;
 - 1.2.2. Budgeted Cash Flows as contained in Table 17 on page 27;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 18 on page 28;
2. The Council of Umvoti Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013:
 - 2.1. the tariffs for property rates
 - 2.2. the tariffs for electricity
 - 2.3. the tariffs for refuse removal
3. The Council of Umvoti Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2013 the tariffs for other services as attached,
4. To give proper effect to the municipality's annual budget, the Council of Umvoti Local Municipality approves:

- 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
- 4.2. That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2013/14 financial year limited to an amount of R122 million for electricity for the financial year of the MTREF in terms of Section 46 of the Municipal Finance Management Act.
- 4.3. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

2.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. One such strategy is to conduct a meter sweep to ensure that all meters are functioning and that accurate accounts are sent out. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51, 54, 66 and 67 were used to guide the compilation of the 2013/14 MTREF.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Additional staff request from management without any due diligent studies being conducted and the establishment of a security and disaster section.
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2013/13 MTREF process; and

- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/14 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R6,4 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Consultant Fees;
 - Furniture and office equipment;
 - Refreshments and entertainment;
 - Ad-hoc travelling; and
 - Subsistence, Travelling & Conference fees

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

| R thousands | Adjustment budget 2012/2013 | Budget Year 2013/2014 | Budget Year 2014/2015 | Budget Year 2015/2016 |
|--------------------------------|--|----------------------------------|----------------------------------|----------------------------------|
| TOTAL OPERATING REVENUE | 137,386 | 157,853 | 165,745 | 174,032 |
| TOTAL OPERATING EXPENDITURE | 172,994 | 175,909 | 184,761 | 194,062 |
| (Surplus)/Deficit for the year | 35,608 | 18,056 | 19,016 | 20,030 |
| Total Capital Expenditure | 49,221 | 31,585 | 27,528 | 590 |

Total operating revenue has grown by 14.9 per cent or R20.4 million for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 5 per cent respectively, equating to a total revenue growth of R36.6 million over the MTREF when compared to the 2012/13 financial year.

Total operating expenditure for the 2013/14 financial year has been appropriated at R175.9 million and translates into a budgeted deficit of R18 million. When compared to the 2012/13 Adjustments Budget, operational expenditure has grown by 1.6 per cent in the 2013/14 budget and by 5 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily decreases to R20 million by 2014/15 strategies need to be put in

place to move to a positive situation and expenditure need to be focused on essential items. . As no surplus is available the capital expenditure will be funded from the available accumulated surplus currently amounting to R9.3 million rand. This is not sustainable and measures would need to be put in place so that capital can be funded from surplus derived in that year.

The capital budget of R31.5 million for 2013/14 is 55.8 per cent less when compared to the 2012/13 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. The capital programme reduces to R27.5 million in the 2014/15 financial year and then to 5.9 million by 2015/16. Roll over projects has been incorporated into the capital budget amounting to 1.9 million for work in progress. A substantial portion of the capital budget will be funded from MIG over MTREF.

2.4 Operating Revenue Framework

For Umvoti Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2013/14 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

| Description R thousand | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Revenue By Source | | | | | | | | | |
| Property rates | 21,028 | 13,564 | 13,799 | 16,178 | 18,850 | 18,850 | 20,461 | 21,484 | 22,558 |
| Property rates - penalties & collection charges | 1,085 | 1,180 | 1,251 | 1,300 | 1,300 | 1,300 | 1,330 | 1,397 | 1,466 |
| Service charges - electricity revenue | 28,276 | 34,013 | 42,433 | 48,235 | 48,893 | 48,893 | 52,291 | 54,905 | 57,650 |
| Service charges - water revenue | - | - | - | - | - | - | - | - | - |
| Service charges - sanitation revenue | - | - | - | - | - | - | - | - | - |
| Service charges - refuse revenue | 4,359 | 4,726 | 5,290 | 5,529 | 5,486 | 5,486 | 5,790 | 6,080 | 6,383 |
| Service charges - other | 189 | 317 | 563 | 407 | 883 | 883 | 872 | 915 | 961 |
| Rental of facilities and equipment | 2,827 | 2,998 | 2,819 | 2,979 | 2,880 | 2,880 | 3,032 | 3,184 | 3,343 |
| Interest earned - external investments | 3,279 | 2,939 | 3,261 | 2,700 | 2,700 | 2,700 | 2,700 | 2,835 | 2,977 |
| Interest earned - outstanding debtors | 192 | 157 | 154 | 167 | 163 | 163 | 183 | 192 | 202 |
| Dividends received | | | | | | | | - | - |
| Fines | 434 | 325 | 491 | 404 | 804 | 804 | 804 | 844 | 886 |
| Licences and permits | 1,656 | 2,071 | 1,914 | 2,002 | 1,963 | 1,963 | 2,045 | 2,148 | 2,255 |
| Agency services | 817 | 925 | 970 | 1,016 | 1,082 | 1,082 | 1,110 | 1,166 | 1,224 |
| Transfers recognised - operational | 32,622 | 34,788 | 44,951 | 44,966 | 52,263 | 52,263 | 67,053 | 70,406 | 73,926 |
| Other revenue | 8,326 | 2,801 | 841 | 111 | 119 | 119 | 171 | 180 | 189 |
| Gains on disposal of PPE | | | | | | | 10 | 11 | 11 |
| Total Revenue (excluding capital transfers and contributions) | 105,090 | 100,804 | 118,737 | 125,993 | 137,386 | 137,386 | 157,853 | 165,745 | 174,033 |

Table 3 Percentage growth in revenue by main revenue source

| Description R thousand | Current Year 2012/13 | | 2013/14 Medium Term Revenue & Expenditure Framework | | | | | |
|--|----------------------|---------------|---|---------------|------------------------|---------------|------------------------|---------------|
| | Adjusted Budget | % | Budget Year 2013/14 | % | Budget Year +1 2014/15 | % | Budget Year +2 2015/16 | % |
| Revenue By Source | | | | | | | | |
| Property rates | 18,850 | 13.7% | 20,461 | 13.0% | 21,484 | 13.0% | 22,558 | 13.0% |
| Property rates - penalties & collection charges | 1,300 | 0.9% | 1,330 | 0.8% | 1,397 | 0.8% | 1,466 | 0.8% |
| Service charges - electricity revenue | 48,893 | 35.6% | 52,291 | 33.1% | 54,905 | 33.1% | 57,650 | 33.1% |
| Service charges - water revenue | | | | | | | | |
| Service charges - sanitation revenue | | | | | | | | |
| Service charges - refuse revenue | 5,486 | 4.0% | 5,790 | 3.7% | 6,080 | 3.7% | 6,383 | 3.7% |
| Service charges - other | 883 | 0.6% | 872 | 0.6% | 915 | 0.6% | 961 | 0.6% |
| Rental of facilities and equipment | 2,880 | 2.1% | 3,032 | 1.9% | 3,184 | 1.9% | 3,343 | 1.9% |
| Interest earned - external investments | 2,700 | 2.0% | 2,700 | 1.7% | 2,835 | 1.7% | 2,977 | 1.7% |
| Interest earned - outstanding debtors | 163 | 0.1% | 183 | 0.1% | 192 | 0.1% | 202 | 0.1% |
| Dividends received | | | | | | | | |
| Fines | 804 | 0.6% | 804 | 0.5% | 844 | 0.5% | 886 | 0.5% |
| Licences and permits | 1,963 | 1.4% | 2,045 | 1.3% | 2,148 | 1.3% | 2,255 | 1.3% |
| Agency services | 1,082 | 0.8% | 1,110 | 0.7% | 1,166 | 0.7% | 1,224 | 0.7% |
| Transfers recognised - operational | 52,263 | 38.0% | 67,053 | 42.5% | 70,406 | 42.5% | 73,926 | 42.5% |
| Other revenue | 119 | 0.1% | 171 | 0.1% | 180 | 0.1% | 189 | 0.1% |
| Gains on disposal of PPE | | | 10 | 0.0% | 11 | 0.0% | 11 | 0.0% |
| Total Revenue (excluding capital transfers and contributions) | 137,386 | 100.0% | 157,853 | 100.0% | 165,745 | 100.0% | 174,033 | 100.0% |
| Total Revenue from rates and service charges | 75,412 | 54.9% | 80,743 | 51.2% | 84,780 | 51.2% | 89,019 | 51.2% |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a minor percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise of 51.2% of the total

revenue mix. In the 2012/13 financial year, revenue from rates and services charges totaled R75.4 million or 54.9 per cent. This increases to R80.7 million, R84.7 million and R89 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges flattens out from 51.2 per cent in the outer years. This decrease can be mainly attributed to the decreased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totaling 13 per cent or R20.4 million rand and increases to R22.5 million by 2012/16. The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R67 million in the 2013/14 financial year and steadily increases to R73.9 million by 2015/16. Note that the year-on-year growth for 2013/14 financial year is 42.5% and then flattens out for the outer two years. The following table gives a breakdown of the various grants and subsidies allocated to the municipality over the medium term.

Table 4 Operating Transfers and Grant Receipts

| Description R thousand | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| RECEIPTS: | | | | | | | | | |
| Operating Transfers and Grants | | | | | | | | | |
| National Government: | 25,315 | 31,240 | 44,762 | 44,262 | 44,262 | 44,262 | 66,798 | 65,253 | 87,993 |
| Local Government Equitable Share | 24,565 | 30,040 | 36,522 | 41,962 | 41,962 | 41,962 | 49,358 | 62,719 | 85,376 |
| Finance Management | 750 | 1,200 | 1,450 | 1,500 | 1,500 | 1,500 | 1,550 | 1,600 | 1,650 |
| Municipal Systems Improvement | | | 790 | 800 | 800 | 800 | 890 | 934 | 967 |
| Integrated National Electrification Programme | | | 6,000 | | | | | | |
| EPWP Incentive | | | | | | | 1,000 | | |
| Integrated National Electrification Programme | | | | | | | 14,000 | | |
| Other transfers/grants [insert description] | | | | | | | | | |
| Other transfers/grants [insert description] | | | | | | | | | |
| Provincial Government: | 20,237 | 16,273 | 18,372 | 2,672 | 2,672 | 2,672 | 1,063 | 1,421 | 1,181 |
| Health subsidy | 2,040 | 1,183 | 1,620 | | | | | | |
| Sport and Recreation | 525 | 525 | | 150 | 150 | 150 | | | |
| Other transfers/grants [insert description] | 17,672 | 14,565 | 16,752 | 2,522 | 2,522 | 2,522 | 1,063 | 1,421 | 1,181 |
| District Municipality: [insert description] | - | - | - | - | - | - | - | - | - |
| Other grant providers: [insert description] | - | - | - | - | - | - | - | - | - |
| Total Operating Transfers and Grants | 45,551 | 47,513 | 63,134 | 46,934 | 46,934 | 46,934 | 67,861 | 66,674 | 89,174 |
| Capital Transfers and Grants | | | | | | | | | |
| National Government: | 8,354 | 10,937 | 14,732 | 25,370 | 25,370 | 25,370 | 25,976 | 29,514 | 32,344 |
| Municipal Infrastructure Grant (MIG) | 8,354 | 10,937 | 14,732 | 17,870 | 17,870 | 17,870 | 21,976 | 25,514 | 27,344 |
| Rural Households Infrastructure | | | | 7,500 | 7,500 | 7,500 | 4,000 | 4,000 | 5,000 |
| Other capital transfers/grants [insert desc] | | | | | | | | | |
| Provincial Government: Other capital transfers/grants [insert description] | - | - | - | - | - | - | - | - | - |
| District Municipality: [insert description] | - | - | - | - | - | - | - | - | - |
| Other grant providers: [insert description] | - | - | - | - | - | - | - | - | - |
| Total Capital Transfers and Grants | 8,354 | 10,937 | 14,732 | 25,370 | 25,370 | 25,370 | 25,976 | 29,514 | 32,344 |
| TOTAL RECEIPTS OF TRANSFERS & GRANTS | 53,905 | 58,451 | 77,866 | 72,304 | 72,304 | 72,304 | 93,837 | 96,188 | 121,518 |

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment. In an attempt to meet the demands council has opted for a 7% increase which is 1% higher than the guide line and this has been accepted by the community.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

2.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R50 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 60 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;

- The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2013/14 financial year based on a 7 per cent increase from 1 July 2013 is contained below:

Table 5 Comparison of proposed rates to levied for the 2013/14 financial year

| Category | Current Tariff cents in the Rand (1 July 2012) | Proposed tariff cents in the Rand (from 1 July 2013) |
|---------------------------------------|---|---|
| | C | C |
| Residential properties | 1,28 | 1,37 |
| Sectional Title | 1,28 | 1,37 |
| Business & Commercial | 1,90 | 2,03 |
| Industrial | 1,28 | 1,37 |
| Agricultural | 0,32 | 0,34 |
| Communal | 0,32 | 0,34 |
| Institutional | 1,28 | 1,37 |
| National Monuments | 1,28 | 1,37 |
| Municipal | 1,28 | 1,37 |
| Public Benefit Organizations | 0,32 | 0,34 |
| Public Service Infrastructure | 0,32 | 0,34 |
| Special Purpose | 1,28 | 1,37 |
| State owned | 1,90 | 2,03 |
| Place of Worship | 1,28 | 1,37 |
| Properties leased by the Municipality | 1,28 | 1,37 |
| | | |

2.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An 8 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2013.

Considering the Eskom increases, the consumer tariff had to be increased by 8 per cent to offset the additional bulk purchase cost from 1 July 2013. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs charges:

Table 6 Comparison of proposed tariffs to levied for the 2013/14 financial year

| NERSA APPROVED ELECTRICITY FOR UMVOTI MUNICIPALITY 2013/2014 | | | | |
|---|-----------------------|-----------------------|------------------------------|-------------------|
| Tariff Type | Current Tariff | Approved Taiff | Difference (Increase) | Percentage |
| DOMESTIC CONVENTIONAL: TARIFF OPTION 1 | | | | |
| Basic charge | 3.75 | 4.05 | 0.30 | 8% |
| Energy charge | 96.10 | 103.79 | 7.69 | 8% |
| DOMESTIC CONVENTIONAL INDIGENTS | | | | |
| Basic charge | 3.75 | 4.05 | 0.30 | 8% |
| Energy charge | 71.00 | 74.91 | 3.91 | 5.5% |
| DOMESTIC CONVENTIONAL TARIFF: OPTION 2 | | | | |
| Energy Charge | 130.70 | 141.16 | 10.46 | 8% |
| DOMESTIC PREPAID INDIGENTS | | | | |
| Energy charge | 81.50 | 85.98 | 4.48 | 6% |
| DOMESTIC PREPAID | | | | |
| Energy charge | 123.30 | 135.32 | 12.02 | 8% |
| COMMERCIAL CONVENTIONAL | | | | |
| Basic charge | 4.50 | 4.86 | 0.36 | 8% |
| Energy charge | 117.00 | 126.36 | 9.36 | 8% |
| SPORTS FIELDS AND STREET LIGHTING | | | | |
| Energy charge | 126.40 | 136.51 | 10.11 | 8% |
| AVAILABILITY CHARGE ON VACANT LOTS PROCLAIMED FOR RESIDENTIAL USE | | | | |
| Availability charge | 78.00 | 84.24 | 6.24 | 8% |
| AVAILABILITY CHARGE ON VACANT LOTS PROCLAIMED FOR COMMERCIAL OR INDUSTRIAL USE | | | | |
| Availability charge | 150.80 | 162.86 | 12.06 | 8% |
| LARGE POWER USERS WITH INSTALLED CAPACIITY OF IN EXCESS OF 65kVA | | | | |
| Basic charge | 1,091.80 | 1,179.14 | 87.34 | 8% |
| Energy charge | 66.80 | 72.14 | 5.34 | 8% |
| Demand charge | 146.96 | 158.72 | 11.76 | 8% |

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2013. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those are not yet being implemented by the Municipality. Until the discussions are concluded, the Municipality will maintain the current structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines as the municipality is currently exceeding the maximum demand it is allowed to draw.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R122 million for two years will be necessary to steer the Municipality out of this predicament.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and Department of Energy funding be utilized to repay such a loan. As part of the 2013/14 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

2.4.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration as well as transporting of waste to Pietermaritzburg. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 7 per cent increase in the waste removal tariff is proposed from 1 July 2013. Higher increases will not be viable in 2013/14 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 7 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2013:

Table 7 Comparison between current waste removal fees and increases

| TARIFF TYPE | CURRENT TARIFFS | PROPOSED TARIFFS | DIFFERENCE | PERCENTATGE |
|-----------------|-----------------|------------------|------------|-------------|
| REFUSE DOMESTIC | 108.20 | 115.77 | 7.57 | 7% |
| REFUSE OTHER | 134.90 | 144.34 | 9.44 | 7% |
| REFUSE OTHER | 241.80 | 258.73 | 16.93 | 7% |

2.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 11 and 12 per cent, with the increase for indigent households closer to 8 per cent.

Table 8 MBRR Table SA14 – Household bills

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|---------------------|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 % incr. | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Rand/cent | | | | | | | | | | |
| Monthly Account for Household - 'Middle Income Range' | | | | | | | | | | |
| Rates and services charges: | | | | | | | | | | |
| Property rates | 373.33 | 403.20 | 419.53 | 677.33 | 677.33 | | 7.0% | 724.74 | 797.22 | 876.94 |
| Electricity: Basic levy | 129.00 | 117.90 | 189.00 | 225.00 | 225.00 | | 8.0% | 243.00 | 267.30 | 294.03 |
| Electricity: Consumption | 554.50 | 676.40 | 814.30 | 961.00 | 961.00 | | 8.0% | 1,037.88 | 1,141.67 | 1,255.83 |
| Water: Basic levy | | | | | | | | | | |
| Water: Consumption | | | | | | | | | | |
| Sanitation | | | | | | | | | | |
| Refuse removal | 89.40 | 98.34 | 108.20 | 108.20 | 108.20 | | 7.0% | 115.77 | 127.35 | 140.09 |
| Other | | | | | | | | | | |
| sub-total | 1,146.23 | 1,295.84 | 1,531.03 | 1,971.53 | 1,971.53 | – | 7.6% | 2,121.40 | 2,333.54 | 2,566.89 |
| VAT on Services | 108.21 | 124.97 | 155.61 | 181.19 | 181.19 | | 14.0% | 295.35 | 326.70 | 359.36 |
| Total large household bill: | 1,254.44 | 1,420.81 | 1,686.64 | 2,152.72 | 2,152.72 | – | 12.3% | 2,416.75 | 2,660.23 | 2,926.26 |
| % increase/-decrease | | 13.3% | 18.7% | 27.6% | – | (100.0%) | | – | 10.1% | 10.0% |
| Monthly Account for Household - 'Affordable Range' | | | | | | | | | | |
| Rates and services charges: | | | | | | | | | | |
| Property rates | 268.33 | 289.80 | 297.73 | 485.33 | 485.33 | | 7.0% | 519.30 | 571.23 | 628.36 |
| Electricity: Basic levy | 129.00 | 117.90 | 189.00 | 225.00 | 225.00 | | 8.0% | 243.00 | 267.30 | 294.03 |
| Electricity: Consumption | 277.25 | 338.20 | 407.15 | 480.50 | 480.50 | | 8.0% | 518.94 | 570.83 | 627.92 |
| Water: Basic levy | | | | | | | | | | |
| Water: Consumption | | | | | | | | | | |
| Sanitation | | | | | | | | | | |
| Refuse removal | 89.40 | 98.34 | 108.20 | 108.20 | 108.20 | | 7.0% | 115.77 | 127.35 | 140.09 |
| Other | | | | | | | | | | |
| sub-total | 763.98 | 844.24 | 1,002.08 | 1,299.03 | 1,299.03 | – | 7.5% | 1,397.02 | 1,536.72 | 1,690.39 |
| VAT on Services | 69.39 | 77.62 | 98.61 | 113.92 | 113.92 | | 14.0% | 194.34 | 215.14 | 236.65 |
| Total small household bill: | 833.37 | 921.86 | 1,100.69 | 1,412.95 | 1,412.95 | – | 12.6% | 1,591.36 | 1,751.86 | 1,927.05 |
| % increase/-decrease | | 10.6% | 19.4% | 28.4% | – | (100.0%) | | – | 10.1% | 10.0% |
| Monthly Account for Household - 'Indigent' | | | | | | | | | | |
| Household receiving free basic services | | | | | | | | | | |
| Rates and services charges: | | | | | | | | | | |
| Property rates | | | | | | | | | | |
| Electricity: Basic levy | | | | | | | | | | |
| Electricity: Consumption | 190.09 | 200.73 | 241.61 | 285.25 | 285.25 | | 8.0% | 308.07 | 338.88 | 372.76 |
| Water: Basic levy | | | | | | | | | | |
| Water: Consumption | | | | | | | | | | |
| Sanitation | | | | | | | | | | |
| Refuse removal | 49.40 | 58.34 | 68.20 | 68.20 | 68.20 | | 7.0% | 72.97 | 80.27 | 88.30 |
| Other | | | | | | | | | | |
| sub-total | 239.49 | 259.07 | 309.81 | 353.45 | 353.45 | – | 7.8% | 381.04 | 419.15 | 461.06 |
| VAT on Services | 33.53 | 36.27 | 43.37 | 49.48 | 49.48 | | 14.0% | 53.35 | 58.68 | 64.55 |
| Total small household bill: | 273.02 | 295.34 | 353.18 | 402.93 | 402.93 | – | 7.8% | 434.39 | 477.83 | 525.61 |
| % increase/-decrease | | 8.2% | 19.6% | 14.1% | 0.0% | (100.0%) | | – | 10.0% | 10.0% |

2.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2013/14 budget and MTREF (classified per main type of operating expenditure):

Table 9 Summary of operating expenditure by standard classification item

| Description | Ref | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------|------|----------------|----------------|----------------|----------------------|----------------|----------------|-----------|---|----------------|----------------|
| R thousand | 1 | Audited | Audited | Audited | Original | Adjusted | Full Year | Pre-audit | Budget Year | Budget Year | Budget Year |
| Employee related costs | 2 | 22,892 | 29,810 | 37,339 | 45,842 | 41,459 | 41,459 | - | 59,005 | 61,956 | 65,054 |
| Remuneration of councillors | | 4,348 | 4,316 | 4,668 | 5,858 | 5,971 | 5,971 | - | 6,729 | 7,065 | 7,418 |
| Debt impairment | 3 | 3,437 | 618 | 9 | 3,090 | 2,840 | 2,840 | - | 3,180 | 3,339 | 3,506 |
| Depreciation & asset impairment | 2 | 14,667 | 16,785 | 16,823 | 21,207 | 21,218 | 21,218 | - | 21,251 | 22,314 | 23,430 |
| Finance charges | | 24 | 41 | 23 | | | | - | - | - | - |
| Bulk purchases | 2 | 18,640 | 22,479 | 29,004 | 40,000 | 34,000 | 34,000 | - | 37,000 | 38,850 | 40,793 |
| Other materials | 8 | | | | | | | - | - | - | - |
| Contracted services | | 11,281 | 10,862 | 11,938 | 6,839 | 24,654 | 24,654 | - | 28,913 | 30,359 | 31,877 |
| Transfers and grants | | 1,534 | 1,390 | 1,103 | 2,311 | 1,810 | 1,810 | - | 1,910 | 2,063 | 2,228 |
| Other expenditure | 4, 5 | 35,517 | 20,689 | 25,981 | 29,478 | 41,043 | 41,043 | - | 17,920 | 18,816 | 19,757 |
| Loss on disposal of PPE | | | | | | | | - | - | - | - |
| Total Expenditure | | 112,340 | 106,990 | 126,888 | 154,625 | 172,995 | 172,995 | - | 175,908 | 184,762 | 194,063 |

The budgeted allocation for employee related costs for the 2012/13 financial year totals R41.4 million, which equals 23.9 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.95% per cent for the 2013/14 financial year. An annual increase of 7 per cent has been included in the two outer years of the MTREF. The staff cost is rapidly on the increase as new post are proposed on a continual basis without any due diligent studies being conducted. Serious attention should be given to restructuring the organization to ensure that we can concentrate on core functions and better service delivery.

The settlement reached by the SALGBC parties in the salary disputes have resulted in a further financial implication on this area of expenditure. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalised.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 80 per cent and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this amount equates to R2.8 million and escalates to R3.5 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate

asset consumption. Budget appropriations in this regard total R21.2 million for the 2012/13 financial and equates to 12.2 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0 per cent as the leases have come to an end.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

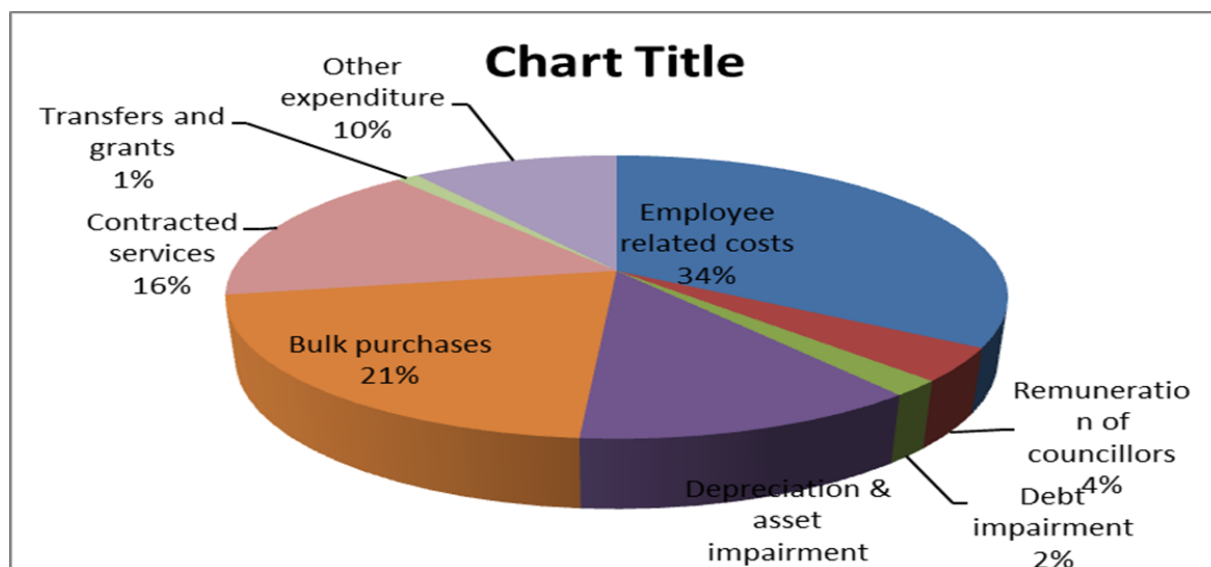
Other materials comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals.

Contracted services are primarily high due to the shortage of skills with in the municipality. As part of the compilation of the 2013/14 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2012/13 financial year, this group of expenditure totals R24.6 million and has escalated by just 17.2 per cent, clearly demonstrating the reliance on consultants strategies need to put in place to decrease this reliance. For the two outer years growth has been limited to 10 per cent respectively. As part of the process of identifying further cost efficiencies, a business process reengineering project will need to be implemented as a matter of urgency to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 1.5 per cent for 2013/14 and curbed at 5 per cent respectively for the two outer years, indicating that significant cost savings have been already realised.

The following table gives a breakdown of the main expenditure categories for the 2013/14 financial year.

Figure 1 Main operational expenditure categories for the 2011/12 financial year



2.5.1 Priority given to repairs and maintenance

Although ample budget provision is made for the repairing and maintaining of the municipal infrastructure assets the department concerned is not spending significantly on this urgent priority. Measures need to be put in place for the monitoring and maintaining of assets as renewing these assets will result in an additional burden to the Municipality.

2.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The community of Umvoti is reluctant to register as they feel that this attaches a stigma to them. Educational programs need to be developed to encourage the indigent to register.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

2.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 10 2011/12 Medium-term capital budget per vote

| Description | 2013/14 Medium Term Revenue & expenditure Framework | | | | | | | |
|---|---|-------------|---------------------|-------------|---------------------|-------------|------------------------|-------------|
| | Adjusted Budget | % | Budget Year 2013/14 | % | Budget Year 2014/15 | % | Budget Year +2 2015/16 | % |
| R Thousand | | | | | | | | |
| Executive and council | 645 | 1.3% | 695 | 2.2% | | 0.0% | | 0.0% |
| Budget and treasury office | 74 | 0.2% | 82 | 0.3% | 4,000 | 14.5% | 50 | 8.5% |
| Corporate services | 526 | 1.1% | 1,216 | 3.9% | | 0.0% | | 0.0% |
| Community and social services | 10,303 | 20.9% | 788 | 2.5% | | 0.0% | | 0.0% |
| Sport and recreation | 2,405 | 4.9% | 3,100 | 9.8% | 2,100 | 7.6% | 100 | 16.9% |
| Public safety | 995 | 2.0% | 2,726 | 8.6% | 400 | 1.5% | 400 | 67.8% |
| Housing | | 0.0% | | 0.0% | | 0.0% | | 0.0% |
| Health | | 0.0% | | 0.0% | | 0.0% | | 0.0% |
| Planning and development | 10 | 0.0% | | 0.0% | | 0.0% | | 0.0% |
| Road transport | 31,713 | 64.4% | 18,028 | 57.1% | 12,928 | 47.0% | | 0.0% |
| Trading services | 2,550 | 5.2% | 4,950 | 15.7% | 8,100 | 29.4% | 40 | 6.8% |
| Electricity | 1,750 | 3.6% | 4,950 | 15.7% | 8,100 | 29.4% | 40 | 6.8% |
| Waste management | 800 | 1.6% | | 0.0% | | 0.0% | | 0.0% |
| Total Capital Expenditure - Standard | 49,221 | 100% | 31,585 | 100% | 27,528 | 100% | 590 | 100% |

For 2012/13 an amount of R33.4 million has been appropriated for the development of infrastructure which represents 68 per cent of the total capital budget. In the outer years this amount totals R22.9 million, 77.5 per cent and R21 million, 79.3 per cent respectively for the outer financial years. Transport and roads receives the highest allocation of R18 million in 2013/14 which equates to 61 per cent followed by electricity infrastructure at 17 per cent, R4.9 million.

2.7 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 11 MBRR Table A1 - Budget Summary

KZN245 Umvoti - Table A1 Consolidated Budget Summary

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| R thousands | | | | | | | | | |
| Financial Performance | | | | | | | | | |
| Property rates | 22,113 | 14,744 | 15,050 | 17,478 | 20,150 | 20,150 | 21,791 | 22,881 | 24,025 |
| Service charges | 32,824 | 39,056 | 48,286 | 54,171 | 55,262 | 55,262 | 58,952 | 61,900 | 64,995 |
| Investment revenue | 3,279 | 2,939 | 3,261 | 2,700 | 2,700 | 2,700 | 2,700 | 2,835 | 2,977 |
| Transfers recognised - operational | 32,622 | 34,788 | 44,951 | 44,966 | 52,263 | 52,263 | 67,053 | 70,406 | 73,926 |
| Other own revenue | 14,252 | 9,277 | 7,189 | 6,679 | 7,011 | 7,011 | 7,356 | 7,724 | 8,110 |
| Total Revenue (excluding capital transfers and contributions) | 105,090 | 100,804 | 118,737 | 125,993 | 137,386 | 137,386 | 157,853 | 165,745 | 174,033 |
| Employee costs | 22,892 | 29,810 | 37,339 | 45,842 | 41,459 | 41,459 | 53,005 | 55,656 | 58,439 |
| Remuneration of councillors | 4,348 | 4,316 | 4,668 | 5,858 | 5,971 | 5,971 | 6,729 | 7,065 | 7,418 |
| Depreciation & asset impairment | 14,667 | 16,785 | 16,823 | 21,207 | 21,218 | 21,218 | 21,251 | 22,314 | 23,430 |
| Finance charges | 24 | 41 | 23 | - | - | - | - | - | - |
| Materials and bulk purchases | 18,640 | 22,479 | 29,004 | 40,000 | 34,000 | 34,000 | 37,000 | 38,850 | 40,793 |
| Transfers and grants | 1,534 | 1,390 | 1,103 | 2,311 | 1,810 | 1,810 | 1,910 | 2,063 | 2,228 |
| Other expenditure | 50,235 | 32,169 | 37,929 | 39,407 | 68,536 | 68,536 | 56,013 | 58,814 | 61,755 |
| Total Expenditure | 112,340 | 106,990 | 126,889 | 154,624 | 172,994 | 172,994 | 175,909 | 184,762 | 194,062 |
| Surplus/(Deficit) | (7,250) | (6,186) | (8,152) | (28,631) | (35,607) | (35,607) | (18,056) | (19,016) | (20,029) |
| Transfers recognised - capital | 10,124 | 10,937 | 8,604 | 48,079 | 17,912 | 17,912 | 18,851 | 19,794 | 20,783 |
| Contributions recognised - capital & contributed a | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after capital transfers & contributions | 2,874 | 4,751 | 452 | 19,448 | (17,695) | (17,695) | 795 | 777 | 754 |
| Share of surplus/ (deficit) of associate | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) for the year | 2,874 | 4,751 | 452 | 19,448 | (17,695) | (17,695) | 795 | 777 | 754 |
| Capital expenditure & funds sources | | | | | | | | | |
| Capital expenditure | 23,680 | 21,096 | 12,309 | 48,109 | 49,221 | 42,043 | 31,585 | 27,528 | 590 |
| Transfers recognised - capital | - | - | - | - | - | - | 20,351 | 19,794 | - |
| Public contributions & donations | - | - | - | - | - | - | - | - | - |
| Borrowing | - | - | - | - | - | - | - | - | - |
| Internally generated funds | - | - | - | - | - | - | 9,302 | 7,734 | 590 |
| Total sources of capital funds | - | - | - | - | - | - | 29,653 | 27,528 | 590 |
| Financial position | | | | | | | | | |
| Total current assets | 58,957 | 71,461 | 86,097 | 27,405 | 48,794 | 66,497 | 61,250 | 52,427 | 52,946 |
| Total non current assets | 152,318 | 173,961 | 458,366 | 233,553 | 477,391 | 477,391 | 480,583 | 484,201 | 483,746 |
| Total current liabilities | 18,252 | 25,125 | 34,740 | 23,200 | 33,200 | 33,200 | 30,350 | 24,368 | 23,680 |
| Total non current liabilities | 8,113 | 8,082 | 8,023 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Community wealth/Equity | 184,910 | 212,215 | 501,701 | 229,758 | 484,985 | 502,688 | 503,483 | 504,260 | 505,014 |
| Cash flows | | | | | | | | | |
| Net cash from (used) operating | 11,838 | 29,133 | 28,206 | 43,745 | 4,560 | 22,263 | 18,065 | 17,170 | 19,313 |
| Net cash from (used) investing | (23,969) | (20,978) | (12,265) | (72,000) | (40,193) | (40,193) | (24,841) | (26,883) | (19,989) |
| Net cash from (used) financing | 469 | (28) | 14 | - | 212 | 212 | 300 | 125 | 375 |
| Cash/cash equivalents at the year end | 40,233 | 48,360 | 64,315 | 12,563 | 28,894 | 46,597 | 40,121 | 30,534 | 30,233 |
| Cash backing/surplus reconciliation | | | | | | | | | |
| Cash and investments available | 40,233 | 48,362 | 64,315 | 10,891 | 28,894 | 46,597 | 40,121 | 30,534 | 30,233 |
| Application of cash and investments | 2,865 | 924 | 8,239 | 6,246 | 12,546 | 12,546 | 10,328 | 3,365 | 1,394 |
| Balance - surplus (shortfall) | 37,368 | 47,438 | 56,076 | 4,645 | 16,348 | 34,051 | 29,793 | 27,170 | 28,839 |
| Asset management | | | | | | | | | |
| Asset register summary (WDV) | 46,824 | 64,189 | 73,620 | 65,000 | 73,620 | 73,620 | 73,620 | 73,620 | 73,620 |
| Depreciation & asset impairment | 14,667 | 16,785 | 16,823 | 21,207 | 21,218 | 21,218 | 21,251 | 22,314 | 23,430 |
| Renewal of Existing Assets | - | - | - | - | - | - | - | - | - |
| Repairs and Maintenance | - | - | - | - | - | - | - | - | - |
| Free services | | | | | | | | | |
| Cost of Free Basic Services provided | 744 | 800 | 953 | 1,661 | 1,721 | 1,721 | 1,893 | 2,083 | 2,292 |
| Revenue cost of free services provided | 744 | 800 | 953 | 1,661 | 1,721 | 1,721 | 1,893 | 2,083 | 2,292 |
| Households below minimum service level | | | | | | | | | |
| Water: | - | - | - | - | - | - | - | - | - |
| Sanitation/sewerage: | - | - | - | - | - | - | - | - | - |
| Energy: | 15 | 15 | 11 | 11 | 11 | 11 | 10 | 10 | 9 |
| Refuse: | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 |

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 12 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN245 Umvoti - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

| Standard Classification Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| R thousand | | | | | | | | | |
| Revenue - Standard | | | | | | | | | |
| <i>Governance and administration</i> | 73,512 | 64,122 | 68,814 | 113,645 | 87,049 | 87,049 | 96,470 | 101,293 | 106,358 |
| Executive and council | 32,587 | 30,041 | 289 | 3 | 1 | 1 | 1 | 1 | 2 |
| Budget and treasury office | 40,567 | 33,583 | 66,062 | 111,178 | 85,697 | 85,697 | 95,261 | 100,024 | 105,025 |
| Corporate services | 358 | 498 | 2,464 | 2,464 | 1,351 | 1,351 | 1,208 | 1,268 | 1,331 |
| <i>Community and public safety</i> | 3,679 | 3,797 | 3,902 | 2,427 | 3,339 | 3,339 | 3,600 | 3,779 | 3,969 |
| Community and social services | 186 | 615 | 623 | 807 | 696 | 696 | 1,223 | 1,283 | 1,348 |
| Sport and recreation | 26 | 30 | 41 | 35 | 26 | 26 | 54 | 57 | 60 |
| Public safety | 954 | 1,083 | 1,592 | 1,556 | 2,175 | 2,175 | 2,305 | 2,420 | 2,541 |
| Housing | 31 | 29 | 26 | 29 | 25 | 25 | 19 | 20 | 21 |
| Health | 2,481 | 2,040 | 1,620 | - | 417 | 417 | - | - | - |
| <i>Economic and environmental services</i> | 4,013 | 3,781 | 2,980 | 2,988 | 4,393 | 4,393 | 3,155 | 3,312 | 3,478 |
| Planning and development | 1,586 | 829 | 86 | 1 | 1,362 | 1,362 | 14 | 14 | 15 |
| Road transport | 2,427 | 2,952 | 2,894 | 2,987 | 3,031 | 3,031 | 3,141 | 3,298 | 3,463 |
| Environmental protection | - | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | 32,172 | 38,132 | 51,553 | 52,864 | 58,557 | 58,557 | 71,190 | 74,749 | 78,486 |
| Electricity | 27,802 | 33,389 | 46,253 | 47,335 | 53,068 | 53,068 | 65,391 | 68,660 | 72,093 |
| Water | - | - | - | - | - | - | - | - | - |
| Waste water management | - | - | - | - | - | - | - | - | - |
| Waste management | 4,370 | 4,742 | 5,300 | 5,529 | 5,489 | 5,489 | 5,799 | 6,089 | 6,393 |
| <i>Other</i> | 1,924 | 2,001 | 2,089 | 2,150 | 2,170 | 2,170 | 2,290 | 2,405 | 2,525 |
| Total Revenue - Standard | 115,301 | 111,832 | 129,338 | 174,074 | 155,508 | 155,508 | 176,704 | 185,538 | 194,816 |
| Expenditure - Standard | | | | | | | | | |
| <i>Governance and administration</i> | 49,082 | 35,909 | 40,451 | 48,679 | 70,687 | 70,687 | 57,691 | 60,632 | 63,726 |
| Executive and council | 24,569 | 15,772 | 21,242 | 21,392 | 23,987 | 23,987 | 22,670 | 23,860 | 25,116 |
| Budget and treasury office | 14,807 | 9,513 | 6,627 | 10,291 | 25,246 | 25,246 | 10,475 | 10,999 | 11,549 |
| Corporate services | 9,706 | 10,624 | 12,581 | 16,996 | 21,454 | 21,454 | 24,546 | 25,773 | 27,062 |
| <i>Community and public safety</i> | 15,186 | 17,021 | 20,704 | 23,910 | 21,040 | 21,040 | 21,615 | 22,695 | 23,830 |
| Community and social services | 1,783 | 2,186 | 2,832 | 3,032 | 2,878 | 2,878 | 4,307 | 4,523 | 4,749 |
| Sport and recreation | 3,293 | 3,647 | 4,154 | 3,599 | 3,459 | 3,459 | 4,989 | 5,238 | 5,500 |
| Public safety | 6,196 | 7,111 | 9,188 | 10,790 | 13,559 | 13,559 | 11,951 | 12,548 | 13,176 |
| Housing | 1,140 | 1,083 | 621 | 1,591 | 876 | 876 | 277 | 291 | 306 |
| Health | 2,774 | 2,993 | 3,909 | 4,898 | 268 | 268 | 90 | 95 | 100 |
| <i>Economic and environmental services</i> | 16,525 | 19,956 | 16,508 | 22,546 | 23,637 | 23,637 | 21,412 | 22,482 | 23,606 |
| Planning and development | 2,752 | 3,269 | 660 | 1,617 | 3,295 | 3,295 | 3,333 | 3,500 | 3,675 |
| Road transport | 13,773 | 16,687 | 15,848 | 20,929 | 20,342 | 20,342 | 18,078 | 18,982 | 19,932 |
| Environmental protection | - | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | 31,540 | 34,100 | 49,227 | 59,487 | 57,630 | 57,630 | 75,192 | 78,952 | 82,899 |
| Electricity | 25,246 | 28,169 | 41,009 | 51,228 | 48,766 | 48,766 | 65,095 | 68,350 | 71,767 |
| Water | - | - | - | - | - | - | - | - | - |
| Waste water management | 66 | 63 | 88 | 127 | 213 | 213 | 60 | 63 | 66 |
| Waste management | 6,228 | 5,867 | 8,131 | 8,132 | 8,651 | 8,651 | 10,037 | 10,539 | 11,066 |
| <i>Other</i> | 4 | 3 | - | 1 | - | - | - | - | - |
| Total Expenditure - Standard | 112,337 | 106,990 | 126,889 | 154,623 | 172,994 | 172,994 | 175,909 | 184,761 | 194,062 |
| Surplus/(Deficit) for the year | 2,964 | 4,843 | 2,449 | 19,451 | (17,486) | (17,486) | 795 | 777 | 754 |

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity and Waste functions. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 13 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

KZN245 Umvoti - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

| Vote Description R thousand | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Revenue by Vote | | | | | | | | | |
| Vote 1 - EXECUTIVE AND COUNCIL | 32,587 | 30,041 | 289 | 3 | 1 | 1 | 1 | 1 | 2 |
| Vote 2 - BUDGET AND TREASURY OFFICE | 40,567 | 33,583 | 66,062 | 111,178 | 85,697 | 85,697 | 95,261 | 100,024 | 105,025 |
| Vote 3 - PLANNING AND DEVELOPMENT | 1,586 | 829 | 86 | 1 | 1,362 | 1,362 | 14 | 14 | 15 |
| Vote 4 - HEALTH | 2,481 | 2,040 | 1,620 | - | 417 | 417 | - | - | - |
| Vote 5 - COMMUNITY AND SOCIAL | 186 | 615 | 623 | 807 | 696 | 696 | 1,223 | 1,284 | 1,348 |
| Vote 6 - HOUSING | 31 | 29 | 26 | 29 | 25 | 25 | 19 | 20 | 21 |
| Vote 7 - PUBLIC SAFETY | 480 | 448 | 862 | 656 | 1,350 | 1,350 | 1,405 | 1,475 | 1,548 |
| Vote 8 - SPORT AND RECREATION | 26 | 30 | 41 | 35 | 26 | 26 | 54 | 57 | 60 |
| Vote 9 - ENVIRONMENTAL PROTECTION | - | - | - | - | - | - | - | - | - |
| Vote 10 - WASTE MANAGEMENT | 4,370 | 4,742 | 5,300 | 5,529 | 5,489 | 5,489 | 5,799 | 6,089 | 6,393 |
| Vote 11 - ROAD TRANSPORT | 2,427 | 2,952 | 2,894 | 2,987 | 3,031 | 3,031 | 3,141 | 3,298 | 3,463 |
| Vote 12 - ELECTRICITY | 28,276 | 34,025 | 46,984 | 48,235 | 53,893 | 53,893 | 66,291 | 69,605 | 73,085 |
| Vote 13 - OTHER | 1,924 | 2,001 | 2,089 | 2,150 | 2,170 | 2,170 | 2,290 | 2,405 | 2,525 |
| Vote 14 - CORPORATE SERVICES | 358 | 498 | 467 | 2,464 | 1,351 | 1,351 | 1,208 | 1,268 | 1,331 |
| Vote 15 - [NAME OF VOTE 15] | - | - | - | - | - | - | - | - | - |
| Total Revenue by Vote | 115,301 | 111,832 | 127,341 | 174,074 | 155,508 | 155,508 | 176,704 | 185,539 | 194,816 |
| Expenditure by Vote to be appropriated | | | | | | | | | |
| Vote 1 - EXECUTIVE AND COUNCIL | 24,569 | 15,772 | 21,242 | 21,392 | 23,987 | 23,987 | 22,670 | 23,860 | 25,116 |
| Vote 2 - BUDGET AND TREASURY OFFICE | 14,807 | 9,513 | 6,627 | 10,291 | 25,246 | 25,246 | 10,475 | 10,999 | 11,549 |
| Vote 3 - PLANNING AND DEVELOPMENT | 2,752 | 3,269 | 660 | 1,617 | 3,295 | 3,295 | 3,333 | 3,500 | 3,675 |
| Vote 4 - HEALTH | 2,774 | 2,993 | 3,909 | 4,898 | 268 | 268 | 90 | 95 | 100 |
| Vote 5 - COMMUNITY AND SOCIAL | 1,783 | 2,186 | 2,832 | 3,032 | 2,878 | 2,878 | 4,307 | 4,523 | 4,749 |
| Vote 6 - HOUSING | 1,140 | 1,083 | 621 | 1,591 | 876 | 876 | 277 | 291 | 306 |
| Vote 7 - PUBLIC SAFETY | 5,935 | 6,767 | 8,790 | 10,365 | 13,134 | 13,134 | 11,502 | 12,077 | 12,681 |
| Vote 8 - SPORT AND RECREATION | 3,293 | 3,647 | 4,154 | 3,599 | 3,459 | 3,459 | 4,989 | 5,238 | 5,500 |
| Vote 9 - ENVIRONMENTAL PROTECTION | - | - | - | - | - | - | - | - | - |
| Vote 10 - WASTE MANAGEMENT | 6,294 | 5,931 | 8,219 | 8,259 | 8,864 | 8,864 | 10,097 | 10,602 | 11,132 |
| Vote 11 - ROAD TRANSPORT | 13,773 | 16,687 | 15,848 | 20,929 | 20,342 | 20,342 | 18,078 | 18,982 | 19,932 |
| Vote 12 - ELECTRICITY | 25,508 | 28,513 | 41,407 | 51,653 | 49,191 | 49,191 | 65,544 | 68,821 | 72,262 |
| Vote 13 - OTHER | 4 | 3 | - | 1 | - | - | - | - | - |
| Vote 14 - CORPORATE SERVICES | 9,706 | 10,624 | 12,581 | 16,996 | 21,454 | 21,454 | 24,546 | 25,773 | 27,062 |
| Vote 15 - [NAME OF VOTE 15] | - | - | - | - | - | - | - | - | - |
| Total Expenditure by Vote | 112,337 | 106,990 | 126,889 | 154,623 | 172,994 | 172,994 | 175,909 | 184,761 | 194,062 |
| Surplus/(Deficit) for the year | 2,964 | 4,843 | 452 | 19,451 | (17,486) | (17,486) | 795 | 777 | 754 |

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 14 MBR Table A4 – Budgeted Financial Performance (revenue and expenditure)

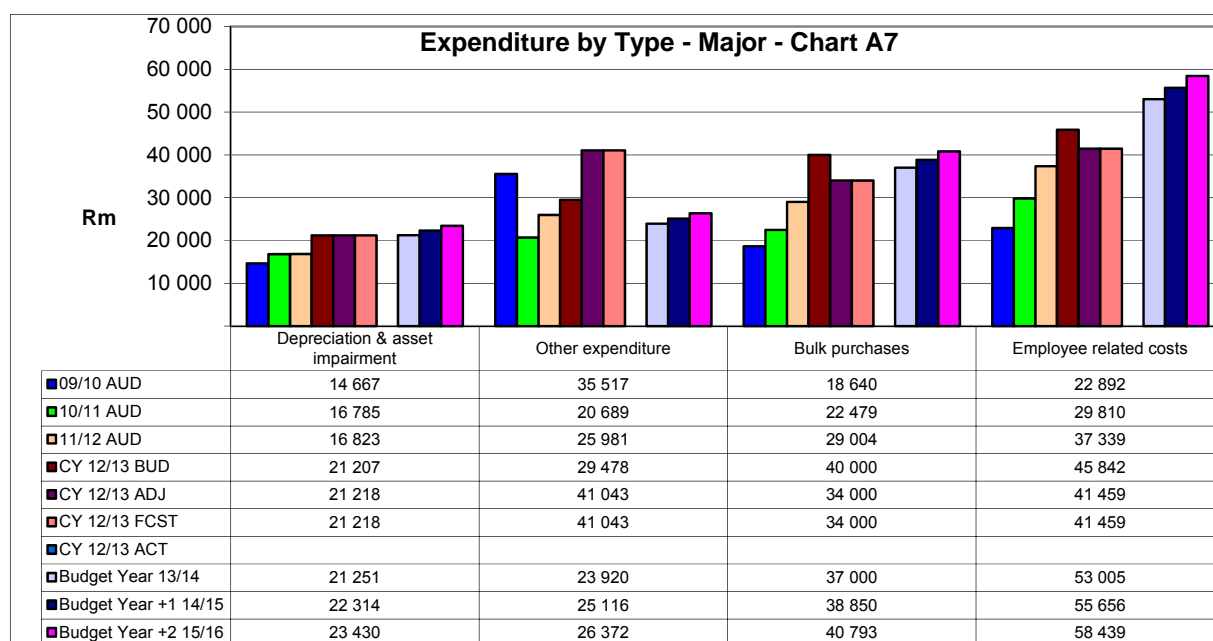
| Description R thousand | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Revenue By Source | | | | | | | | | |
| Property rates | 21,028 | 13,564 | 13,799 | 16,178 | 18,850 | 18,850 | 20,461 | 21,484 | 22,558 |
| Property rates - penalties & collection charges | 1,085 | 1,180 | 1,251 | 1,300 | 1,300 | 1,300 | 1,330 | 1,397 | 1,466 |
| Service charges - electricity revenue | 28,276 | 34,013 | 42,433 | 48,235 | 48,893 | 48,893 | 52,291 | 54,905 | 57,650 |
| Service charges - water revenue | - | - | - | - | - | - | - | - | - |
| Service charges - sanitation revenue | - | - | - | - | - | - | - | - | - |
| Service charges - refuse revenue | 4,359 | 4,726 | 5,290 | 5,529 | 5,486 | 5,486 | 5,790 | 6,080 | 6,383 |
| Service charges - other | 189 | 317 | 563 | 407 | 883 | 883 | 872 | 915 | 961 |
| Rental of facilities and equipment | 2,827 | 2,998 | 2,819 | 2,979 | 2,880 | 2,880 | 3,032 | 3,184 | 3,343 |
| Interest earned - external investments | 3,279 | 2,939 | 3,261 | 2,700 | 2,700 | 2,700 | 2,700 | 2,835 | 2,977 |
| Interest earned - outstanding debtors | 192 | 157 | 154 | 167 | 163 | 163 | 183 | 192 | 202 |
| Dividends received | - | - | - | - | - | - | - | - | - |
| Fines | 434 | 325 | 491 | 404 | 804 | 804 | 804 | 844 | 886 |
| Licences and permits | 1,656 | 2,071 | 1,914 | 2,002 | 1,963 | 1,963 | 2,045 | 2,148 | 2,255 |
| Agency services | 817 | 925 | 970 | 1,016 | 1,082 | 1,082 | 1,110 | 1,166 | 1,224 |
| Transfers recognised - operational | 32,622 | 34,788 | 44,951 | 44,966 | 52,263 | 52,263 | 67,053 | 70,406 | 73,926 |
| Other revenue | 8,326 | 2,801 | 841 | 111 | 119 | 119 | 171 | 180 | 189 |
| Gains on disposal of PPE | - | - | - | - | - | - | 10 | 11 | 11 |
| Total Revenue (excluding capital transfers and contributions) | 105,090 | 100,804 | 118,737 | 125,993 | 137,386 | 137,386 | 157,853 | 165,745 | 174,033 |
| Expenditure By Type | | | | | | | | | |
| Employee related costs | 22,892 | 29,810 | 37,339 | 45,842 | 41,459 | 41,459 | 53,005 | 55,656 | 58,439 |
| Remuneration of councillors | 4,348 | 4,316 | 4,668 | 5,858 | 5,971 | 5,971 | 6,729 | 7,065 | 7,418 |
| Debt impairment | 3,437 | 618 | 9 | 3,090 | 2,840 | 2,840 | 3,180 | 3,339 | 3,506 |
| Depreciation & asset impairment | 14,667 | 16,785 | 16,823 | 21,207 | 21,218 | 21,218 | 21,251 | 22,314 | 23,430 |
| Finance charges | 24 | 41 | 23 | - | - | - | - | - | - |
| Bulk purchases | 18,640 | 22,479 | 29,004 | 40,000 | 34,000 | 34,000 | 37,000 | 38,850 | 40,793 |
| Other materials | - | - | - | - | - | - | - | - | - |
| Contracted services | 11,281 | 10,862 | 11,938 | 6,839 | 24,654 | 24,654 | 28,913 | 30,359 | 31,877 |
| Transfers and grants | 1,534 | 1,390 | 1,103 | 2,311 | 1,810 | 1,810 | 1,910 | 2,063 | 2,228 |
| Other expenditure | 35,517 | 20,689 | 25,981 | 29,478 | 41,043 | 41,043 | 23,920 | 25,116 | 26,372 |
| Loss on disposal of PPE | - | - | - | - | - | - | - | - | - |
| Total Expenditure | 112,340 | 106,990 | 126,889 | 154,624 | 172,994 | 172,994 | 175,909 | 184,762 | 194,062 |
| Surplus/(Deficit) | (7,250) | (6,186) | (8,152) | (28,631) | (35,607) | (35,607) | (18,056) | (19,016) | (20,029) |
| Transfers recognised - capital | 10,124 | 10,937 | 8,604 | 48,079 | 17,912 | 17,912 | 18,851 | 19,794 | 20,783 |
| Contributions recognised - capital | - | - | - | - | - | - | - | - | - |
| Contributed assets | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after capital transfers & contributions | 2,874 | 4,751 | 452 | 19,448 | (17,695) | (17,695) | 795 | 777 | 754 |
| Taxation | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after taxation | 2,874 | 4,751 | 452 | 19,448 | (17,695) | (17,695) | 795 | 777 | 754 |
| Attributable to minorities | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) attributable to municipality | 2,874 | 4,751 | 452 | 19,448 | (17,695) | (17,695) | 795 | 777 | 754 |
| Share of surplus/ (deficit) of associate | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) for the year | 2,874 | 4,751 | 452 | 19,448 | (17,695) | (17,695) | 795 | 777 | 754 |

Explanatory notes to Table A4 – Budgeted financial Performance (revenue and expenditure)

1. Total revenue is R157,8 million in 2013/14 and escalates to R174 million by 2015/16. This represents a year on year increase of 5% per financial year.
2. Revenue to be generated from property rates is 20.4 million in 2013/14 and increases to 22.5 million by 2015/16 which represents 12.9 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains

relatively constant over the medium term and tariff increases of 5 per cent for the outer years have been factored in.

3. Service charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the municipality and grows rapidly.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF.
5. The following graph illustrates the major expenditure items per type



6. Bulk purchases have significantly increased over the 2009/10 to 2015/16 period escalating from 18.6 million to 40.8 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related cost and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk increases in future years.

Table 15 MBRR Table A5 Budgeted Capital Expenditure by vote, standard classification and funding source

| Vote Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| R thousands | | | | | | | | | |
| Single year expenditure to be appropriated | | | | | | | | | |
| Vote 1 - EXECUTIVE AND COUNCIL | 44 | 1 | 443 | 136 | 645 | 145 | 695 | | |
| Vote 2 - BUDGET AND TREASURY OFFICE | 219 | 75 | 683 | 435 | 74 | 54 | 82 | 4,000 | 50 |
| Vote 3 - PLANNING AND DEVELOPMENT | 1,316 | | | | 10 | 10 | | | |
| Vote 4 - HEALTH | 2 | | | | | | | | |
| Vote 5 - COMMUNITY AND SOCIAL | 600 | 1,313 | 51 | 6,622 | 10,303 | 10,134 | 788 | | |
| Vote 6 - HOUSING | 1,327 | | | | | | | | |
| Vote 7 - PUBLIC SAFETY | | 84 | 31 | 690 | 995 | 800 | 2,726 | 400 | 400 |
| Vote 8 - SPORT AND RECREATION | 525 | | 1,515 | 2,630 | 2,405 | 1,433 | 3,100 | 2,100 | 100 |
| Vote 9 - ENVIRONMENTAL PROTECTION | | | | | | | | | |
| Vote 10 - WASTE MANAGEMENT | 132 | 175 | 595 | 1,650 | 800 | 500 | | | |
| Vote 11 - ROAD TRANSPORT | 17,124 | 16,368 | 7,824 | 22,663 | 31,713 | 27,000 | 18,028 | 12,928 | |
| Vote 12 - ELECTRICITY | 1,955 | 2,663 | 1,154 | 12,800 | 1,750 | 1,478 | 4,950 | 8,100 | 40 |
| Vote 13 - OTHER | | | | | | | | | |
| Vote 14 - CORPORATE SERVICES | 436 | 417 | 12 | 483 | 526 | 488 | 1,216 | | |
| Capital single-year expenditure sub-total | 23,680 | 21,096 | 12,309 | 48,109 | 49,221 | 42,043 | 31,585 | 27,528 | 590 |
| Total Capital Expenditure - Vote | 23,680 | 21,096 | 12,309 | 48,109 | 49,221 | 42,043 | 31,585 | 27,528 | 590 |
| Capital Expenditure - Standard | | | | | | | | | |
| Governance and administration | 699 | 493 | 1,138 | 1,054 | 1,245 | 687 | 1,993 | 4,000 | 50 |
| Executive and council | 44 | 1 | 443 | 136 | 645 | 145 | 695 | | |
| Budget and treasury office | 219 | 75 | 683 | 435 | 74 | 54 | 82 | 4,000 | 50 |
| Corporate services | 436 | 417 | 12 | 483 | 526 | 488 | 1,216 | | |
| Community and public safety | 2,454 | 1,397 | 1,598 | 9,942 | 13,702 | 12,367 | 6,614 | 2,500 | 500 |
| Community and social services | 600 | 1,313 | 51 | 6,622 | 10,303 | 10,134 | 788 | | |
| Sport and recreation | 525 | | 1,515 | 2,630 | 2,405 | 1,433 | 3,100 | 2,100 | 100 |
| Public safety | | 84 | 31 | 690 | 995 | 800 | 2,726 | 400 | 400 |
| Housing | 1,327 | | | | | | | | |
| Health | 2 | | | | | | | | |
| Economic and environmental services | 18,440 | 16,368 | 7,824 | 22,663 | 31,723 | 27,010 | 18,028 | 12,928 | |
| Planning and development | 1,316 | | | | 10 | 10 | | | |
| Road transport | 17,124 | 16,368 | 7,824 | 22,663 | 31,713 | 27,000 | 18,028 | 12,928 | |
| Environmental protection | | | | | | | | | |
| Trading services | 2,087 | 2,838 | 1,749 | 14,450 | 2,550 | 1,978 | 4,950 | 8,100 | 40 |
| Electricity | 1,955 | 2,663 | 1,154 | 12,800 | 1,750 | 1,478 | 4,950 | 8,100 | 40 |
| Waste management | 132 | 175 | 595 | 1,650 | 800 | 500 | | | |
| Total Capital Expenditure - Standard | 23,680 | 21,096 | 12,309 | 48,109 | 49,221 | 42,043 | 31,585 | 27,528 | 590 |
| Funded by: | | | | | | | | | |
| National Government | | | | | | | 20,351 | 19,794 | |
| Provincial Government | | | | | | | | | |
| District Municipality | | | | | | | | | |
| Other transfers and grants | | | | | | | | | |
| Transfers recognised - capital | | | | | | | 20,351 | 19,794 | |
| Public contributions & donations | | | | | | | | | |
| Borrowing | | | | | | | | | |
| Internally generated funds | | | | | | | 9,302 | 7,734 | 590 |
| Total Capital Funding | | | | | | | 29,653 | 27,528 | 590 |

Explanatory notes to table A5 – Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote: capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single year capital budget appropriations. The municipality has opted for a single year appropriation.
3. Single year capital expenditure has been appropriated at R29.6 million and decreases over the MTRF due to shortage of funding.
4. The capital programme is funded mainly from capital and provincial grants and a small portion from internally generated funds.

Table 16 MBRR Table A6 – Budgeted Financial Position

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| R thousand | | | | | | | | | |
| ASSETS | | | | | | | | | |
| Current assets | | | | | | | | | |
| Cash | 1,465 | 2,633 | 4,295 | 891 | 1,000 | 1,000 | 1,000 | 1,000 | 1,500 |
| Call investment deposits | 38,768 | 45,729 | 60,020 | 10,000 | 27,894 | 45,597 | 39,121 | 29,534 | 28,733 |
| Consumer debtors | 15,018 | 16,343 | 18,590 | 11,694 | 16,580 | 16,580 | 17,409 | 18,279 | 19,193 |
| Other debtors | 2,373 | 5,478 | 1,807 | 3,000 | 1,800 | 1,800 | 2,000 | 2,100 | 2,205 |
| Current portion of long-term receivables | 21 | 24 | 31 | 20 | 20 | 20 | 20 | 20 | 15 |
| Inventory | 1,312 | 1,254 | 1,354 | 1,800 | 1,500 | 1,500 | 1,700 | 1,493 | 1,300 |
| Total current assets | 58,957 | 71,461 | 86,097 | 27,405 | 48,794 | 66,497 | 61,250 | 52,427 | 52,946 |
| Non current assets | | | | | | | | | |
| Long-term receivables | 62 | 34 | | 60 | 50 | 50 | 60 | 40 | 30 |
| Investments | | | | | | | | | |
| Investment property | 46,824 | 64,189 | 73,620 | 65,000 | 73,620 | 73,620 | 73,620 | 73,620 | 73,620 |
| Investment in Associate | | | | | | | | | |
| Property, plant and equipment | 105,432 | 109,738 | 384,746 | 168,493 | 403,721 | 403,721 | 406,903 | 410,541 | 410,096 |
| Agricultural | | | | | | | | | |
| Biological | | | | | | | | | |
| Intangible | | | | | | | | | |
| Other non-current assets | | | | | | | | | |
| Total non current assets | 152,318 | 173,961 | 458,366 | 233,553 | 477,391 | 477,391 | 480,583 | 484,201 | 483,746 |
| TOTAL ASSETS | 211,275 | 245,422 | 544,463 | 260,958 | 526,185 | 543,888 | 541,833 | 536,628 | 536,693 |
| LIABILITIES | | | | | | | | | |
| Current liabilities | | | | | | | | | |
| Bank overdraft | | | | | | | | | |
| Borrowing | 107 | 125 | 82 | – | – | – | – | – | – |
| Consumer deposits | 1,769 | 1,849 | 1,988 | 2,200 | 2,200 | 2,200 | 2,500 | 2,625 | 3,000 |
| Trade and other payables | 15,920 | 22,789 | 32,331 | 21,000 | 31,000 | 31,000 | 27,850 | 21,743 | 20,680 |
| Provisions | 456 | 362 | 339 | | | | | | |
| Total current liabilities | 18,252 | 25,125 | 34,740 | 23,200 | 33,200 | 33,200 | 30,350 | 24,368 | 23,680 |
| Non current liabilities | | | | | | | | | |
| Borrowing | 207 | 82 | – | – | – | – | – | – | – |
| Provisions | 7,906 | 8,000 | 8,023 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Total non current liabilities | 8,113 | 8,082 | 8,023 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| TOTAL LIABILITIES | 26,365 | 33,207 | 42,762 | 31,200 | 41,200 | 41,200 | 38,350 | 32,368 | 31,680 |
| NET ASSETS | 184,910 | 212,215 | 501,701 | 229,758 | 484,985 | 502,688 | 503,483 | 504,260 | 505,013 |
| COMMUNITY WEALTH/EQUITY | | | | | | | | | |
| Accumulated Surplus/(Deficit) | 129,455 | 138,551 | 116,151 | 153,583 | 110,765 | 128,468 | 140,363 | 152,240 | 164,094 |
| Reserves | 55,455 | 73,664 | 385,550 | 76,175 | 374,220 | 374,220 | 363,120 | 352,020 | 340,920 |
| Minorities' interests | | | | | | | | | |
| TOTAL COMMUNITY WEALTH/EQUITY | 184,910 | 212,215 | 501,701 | 229,758 | 484,985 | 502,688 | 503,483 | 504,260 | 505,014 |

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 17 MBRR Table A7 – Budgeted Cash Flow Statement

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| R thousand | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | |
| Receipts | | | | | | | | | |
| Ratepayers and other | 50,925 | 63,107 | 80,817 | 78,327 | 82,532 | 82,532 | 79,280 | 83,244 | 87,407 |
| Government - operating | 29,831 | 34,399 | 44,951 | 44,966 | 52,263 | 52,263 | 67,053 | 70,406 | 73,926 |
| Government - capital | 12,915 | 11,326 | 8,604 | 48,079 | 17,912 | 17,912 | 18,851 | 19,794 | 20,783 |
| Interest | 3,279 | 2,939 | 3,261 | 2,700 | 2,700 | 2,700 | 2,700 | 2,835 | 2,977 |
| Dividends | | | | | | | - | - | - |
| Payments | | | | | | | | | |
| Suppliers and employees | (85,088) | (82,597) | (109,405) | (130,327) | (150,847) | (133,144) | (149,820) | (159,109) | (165,780) |
| Finance charges | (24) | (41) | (23) | | | | - | - | - |
| Transfers and Grants | | | | | | | | | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 11,838 | 29,133 | 28,206 | 43,745 | 4,560 | 22,263 | 18,065 | 17,170 | 19,313 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | |
| Receipts | | | | | | | | | |
| Proceeds on disposal of PPE | 85 | 91 | | | | | 10 | 11 | 11 |
| Decrease (Increase) in non-current debtors | 19 | 27 | 34 | | | | | | |
| Decrease (increase) other non-current receivables | | | | | | | | | |
| Decrease (increase) in non-current investments | | | | | | | | | |
| Payments | | | | | | | | | |
| Capital assets | (24,073) | (21,096) | (12,299) | (72,000) | (40,193) | (40,193) | (24,851) | (26,893) | (20,000) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (23,969) | (20,978) | (12,265) | (72,000) | (40,193) | (40,193) | (24,841) | (26,883) | (19,989) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | |
| Receipts | | | | | | | | | |
| Short term loans | | | | | | | | | |
| Borrowing long term/refinancing | 314 | (108) | (125) | | | | | | |
| Increase (decrease) in consumer deposits | 155 | 80 | 139 | | 212 | 212 | 300 | 125 | 375 |
| Payments | | | | | | | | | |
| Repayment of borrowing | | | | | | | | | |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | 469 | (28) | 14 | - | 212 | 212 | 300 | 125 | 375 |
| NET INCREASE/ (DECREASE) IN CASH HELD | (11,662) | 8,127 | 15,955 | (28,255) | (35,421) | (17,718) | (6,476) | (9,587) | (301) |
| Cash/cash equivalents at the year begin: | 51,895 | 40,233 | 48,360 | 40,818 | 64,315 | 64,315 | 46,597 | 40,121 | 30,534 |
| Cash/cash equivalents at the year end: | 40,233 | 48,360 | 64,315 | 12,563 | 28,894 | 46,597 | 40,121 | 30,534 | 30,233 |

Table 18 MBRR Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation

KZN245 Umvoti - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

| Description R thousand | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Cash and investments available | | | | | | | | | |
| Cash/cash equivalents at the year end | 40,233 | 48,360 | 64,315 | 12,563 | 28,894 | 46,597 | 40,121 | 30,534 | 30,233 |
| Other current investments > 90 days | - | 2 | (0) | (1,672) | - | - | (0) | 0 | 0 |
| Non current assets - Investments | - | - | - | - | - | - | - | - | - |
| Cash and investments available: | 40,233 | 48,362 | 64,315 | 10,891 | 28,894 | 46,597 | 40,121 | 30,534 | 30,233 |
| Application of cash and investments | | | | | | | | | |
| Unspent conditional transfers | 5,657 | 5,401 | 14,210 | 10,000 | 14,000 | 14,000 | 10,000 | 3,000 | 1,000 |
| Unspent borrowing | - | - | - | - | - | - | - | - | - |
| Statutory requirements | - | - | - | - | - | - | - | - | - |
| Other working capital requirements | (2,792) | (4,477) | (5,971) | (3,754) | (1,454) | (1,454) | 328 | 365 | 394 |
| Other provisions | - | - | - | - | - | - | - | - | - |
| Long term investments committed | - | - | - | - | - | - | - | - | - |
| Reserves to be backed by cash/investments | - | - | - | - | - | - | - | - | - |
| Total Application of cash and investments: | 2,865 | 924 | 8,239 | 6,246 | 12,546 | 12,546 | 10,328 | 3,365 | 1,394 |
| Surplus(shortfall) | 37,368 | 47,438 | 56,076 | 4,645 | 16,348 | 34,051 | 29,793 | 27,170 | 28,839 |

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality decreased significantly over the 2012/13 period owing directly to a net decrease in cash for the 2012/13 financial year of R35.4 million.
4. The approved 2012/13 MTREF provide for a net decrease in cash of R35.42 million for the 2012/13 financial year resulting in an overall cash position of R28.8 million at year end.
5. As part of the 2012/13 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
6. The 2013/14 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
7. Cash and cash equivalents totals R28 Million as at the end of the 2012/13 financial year and increases to R122 million by 2015/16.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2012/13 to 2015/16 the surplus deteriorates from R34 million to R17.6 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the as from 2013/14 MTREF the budget is funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2013/14 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has progressively move from a surplus of R34 million in 2012/13 to a surplus of R17.6 million by 2015/16.

Table 19 MBRR Table A10 – Basic Service Delivery Measurement

| Description | 2009/10 | 2010/11 | 2011/12 | Current Year 2012/13 | | | 2013/14 Medium Term Revenue & Expenditure Framework | | |
|--|---------|---------|---------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| | Outcome | Outcome | Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2013/14 | Budget Year +1 2014/15 | Budget Year +2 2015/16 |
| Household service targets | | | | | | | | | |
| <u>Water:</u> | | | | | | | | | |
| Piped water inside dwelling | | | | | | | | | |
| Piped water inside yard (but not in dwelling) | | | | | | | | | |
| Using public tap (at least min.service level) | | | | | | | | | |
| Other water supply (at least min.service level) | | | | | | | | | |
| <i>Minimum Service Level and Above sub-total</i> | - | - | - | - | - | - | - | - | - |
| Using public tap (< min.service level) | | | | | | | | | |
| Other water supply (< min.service level) | | | | | | | | | |
| No water supply | | | | | | | | | |
| <i>Below Minimum Service Level sub-total</i> | - | - | - | - | - | - | - | - | - |
| Total number of households | - | - | - | - | - | - | - | - | - |
| <u>Sanitation/sewerage:</u> | | | | | | | | | |
| Flush toilet (connected to sewerage) | | | | | | | | | |
| Flush toilet (with septic tank) | | | | | | | | | |
| Chemical toilet | | | | | | | | | |
| Pit toilet (ventilated) | | | | | | | | | |
| Other toilet provisions (> min.service level) | | | | | | | | | |
| <i>Minimum Service Level and Above sub-total</i> | - | - | - | - | - | - | - | - | - |
| Bucket toilet | | | | | | | | | |
| Other toilet provisions (< min.service level) | | | | | | | | | |
| No toilet provisions | | | | | | | | | |
| <i>Below Minimum Service Level sub-total</i> | - | - | - | - | - | - | - | - | - |
| Total number of households | - | - | - | - | - | - | - | - | - |
| <u>Energy:</u> | | | | | | | | | |
| Electricity (at least min.service level) | 8,370 | 8,370 | 15,907 | 15,907 | 15,907 | 15,907 | 17,000 | 17,500 | 18,000 |
| Electricity - prepaid (min.service level) | 657 | 766 | 939 | 1,054 | 1,054 | 1,054 | 1,054 | 1,159 | 1,159 |
| <i>Minimum Service Level and Above sub-total</i> | 9,027 | 9,136 | 16,846 | 16,961 | 16,961 | 16,961 | 18,054 | 18,659 | 19,159 |
| Electricity (< min.service level) | | | | | | | | | |
| Electricity - prepaid (< min. service level) | | | | | | | | | |
| Other energy sources | 14,580 | 14,580 | 11,375 | 11,375 | 11,375 | 11,375 | 10,282 | 9,782 | 9,282 |
| <i>Below Minimum Service Level sub-total</i> | 14,580 | 14,580 | 11,375 | 11,375 | 11,375 | 11,375 | 10,282 | 9,782 | 9,282 |
| Total number of households | 23,607 | 23,716 | 28,221 | 28,336 | 28,336 | 28,336 | 28,336 | 28,441 | 28,441 |
| <u>Refuse:</u> | | | | | | | | | |
| Removed at least once a week | | | | | | | | | |
| <i>Minimum Service Level and Above sub-total</i> | - | - | - | - | - | - | - | - | - |
| Removed less frequently than once a week | 2,632 | 2,663 | 2,667 | 2,680 | 2,680 | 2,680 | 2,948 | 3,243 | 3,567 |
| Using communal refuse dump | | | | | | | | | |
| Other rubbish disposal | | | | | | | | | |
| No rubbish disposal | | | | | | | | | |
| <i>Below Minimum Service Level sub-total</i> | 2,632 | 2,663 | 2,667 | 2,680 | 2,680 | 2,680 | 2,948 | 3,243 | 3,567 |
| Total number of households | 2,632 | 2,663 | 2,667 | 2,680 | 2,680 | 2,680 | 2,948 | 3,243 | 3,567 |
| Households receiving Free Basic Service | | | | | | | | | |
| Water (6 kilolitres per household per month) | | | | | | | | | |
| Sanitation (free minimum level service) | | | | | | | | | |
| Electricity/other energy (50kwh per household per month) | | | | | | | | | |
| Refuse (removed at least once a week) | | | | | | | | | |
| <u>Cost of Free Basic Services provided (R'000)</u> | | | | | | | | | |
| Water (6 kilolitres per household per month) | | | | | | | | | |
| Sanitation (free sanitation service) | | | | | | | | | |
| Electricity/other energy (50kwh per household per month) | 461 | 571 | 691 | 1,361 | 1,361 | 1,361 | 1,497 | 1,647 | 1,812 |
| Refuse (removed once a week) | 283 | 229 | 262 | 300 | 360 | 360 | 396 | 436 | 480 |
| Total cost of FBS provided (minimum social package) | 744 | 800 | 953 | 1,661 | 1,721 | 1,721 | 1,893 | 2,083 | 2,292 |
| <u>Highest level of free service provided</u> | | | | | | | | | |
| Property rates (R value threshold) | | | | | | | | | |
| Water (kilolitres per household per month) | | | | | | | | | |
| Sanitation (kilolitres per household per month) | | | | | | | | | |
| Sanitation (Rand per household per month) | | | | | | | | | |
| Electricity (kwh per household per month) | 307 | 358 | 392 | 583 | 583 | 583 | 641 | 705 | 776 |
| Refuse (average litres per week) | 283 | 229 | 576 | 703 | 703 | 703 | 773 | 850 | 935 |
| <u>Revenue cost of free services provided (R'000)</u> | | | | | | | | | |
| Property rates (R15 000 threshold rebate) | | | | | | | | | |
| Property rates (other exemptions, reductions and rebates) | | | | | | | | | |
| Water | | | | | | | | | |
| Sanitation | | | | | | | | | |
| Electricity/other energy | 461 | 571 | 691 | 1,361 | 1,361 | 1,361 | 1,497 | 1,647 | 1,812 |
| Refuse | 283 | 229 | 262 | 300 | 360 | 360 | 396 | 436 | 480 |
| Municipal Housing - rental rebates | | | | | | | | | |
| Housing - top structure subsidies | | | | | | | | | |
| Other | | | | | | | | | |
| Total revenue cost of free services provided (total social package) | 744 | 800 | 953 | 1,661 | 1,721 | 1,721 | 1,893 | 2,083 | 2,292 |

Explanatory notes to table A10 – Basic Service Deliver Measurement

1. Table A10 provides an overview of service delivery levels and back logs. Due to a lack of information this table only covers municipal services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.2 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget timetable schedule. Key dates applicable to the process were

- 18 January 2013 - Communicate Budget timetable to Council and approve adjustment budget.
- 23 January 2013 - Advert in local press publishing budget process and community consultation
- 25 January 2013 – Departments finalize staff structure and staff budgets
- 30 January 2013 – Departments finalize operating budgets
- 31 January 2013 – Departments finalize capital budgets
- 6 February 2013 – IDP Manager liase with ward Councillors to obtain ward priorities
- 7 February 2013 – Meeting with internal stake holders to finalize draft budgets
- 14 February 2013 – Special Exco for managers to motivate department draft budget
- 21 February 2013 – Special Council for public input on the budget
- 13 March 2013 – CFO finalize draft budget
- 19 March 2013 – Workshop Council on the draft budget
- 28 March 2013 – Table annual budget in council

- 1 to 13 April 2013 – Consultation process within all wards
- 26 April 2013 – Council considers views obtained from public
- 23 May 2013 Special Exco for budget and IDP
- 30 May 2013 Council Consider approval of Budget
- 26 June 2013 Final date for approval of budget, IDP and SDBIP.

There has been various deviations from the key dates set out in the budget time schedule tabled in council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable included the following key IDP processes and deliverables:

The review process has been guided by a Process plan which was adopted by Council and advertised for public information. The process was aligned with the timeframes for the budget and Performance System. The amendments to reflect the exact timeframes of the milestones in the process plan were advertised.

It is noted that some of the meetings that took place were not part of the Process Plan but they improved Public Participation. The IDP has been a standing item on the Management Committee Meetings. Actual Meetings that took place in relation to the Process Plan are as follows:

| Meetings | Actual Date |
|--|---------------------|
| Management Committee Meeting (MANCO) | 02 October 2012 |
| Management Committee Meeting (MANCO) | 12 November 2012 |
| Management Committee Meeting (MANCO) | 8 February 2013 |
| 1 st IDP Representative Forum | 13 October 2012 |
| 2 nd IDP Representative Forum | 15 March 2013 |
| Community Based Planning Pilot Workshop | 21-25 February 2013 |
| Strategic Planning Workshop | 25-27 March 2013 |

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2013/14 MTREF, extensive research was undertaken into various models to ensure affordability and long-term financial sustainability due to the fact that only two and a half wards out of the eleven wards contributes to the coffers of the municipality. This task has been difficult as a result of the demands from management for more staff to deliver services to the community. The following key factors and planning strategies informed the compilation of the 2013/2014 MTREF.

- Census 2011
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate trends (ie inflation, Eskom increases, household debt)
- The approved 2012/2013 adjustment budget
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 55, 59, 66 and 67 has been taken into consideration in the planning and prioritization process.

2.1.4 Community Consultation

The draft 2013/2014 MTREF as tabled before council on 28 March 2013 for community consultation was published on the municipality's web site and hard copies were made available at all ward committee offices, various libraries and Municipal notice boards. In addition various community meetings were held to explain the 2013/2014 budget and for the community to provide input and obtain clarity.

All documents in the appropriate format (electronic and printed) were provided to National Treasury and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

The Mayor took the lead in facilitating the community consultation process from 1 to 18 April 2013 and included fifteen public briefing sessions. The applicable dates and venues were published in the local newspapers, flyers were distributed and load hailing was done, the attendance varied from about 20 to 500 people depending on the demographics of the area.

Submission received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant and within the limited financial constraints was considered as part of the finalization of the 2013/2014 MTREF. Feedback and responses to the submission received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Lack of drinking water in the rural areas
- Slow process in regard to rural electrification
- Cost of providing refuse removal to Pietermaritzburg and the delay of a regional landfill site within Umvoti.
- Sewer problems being experienced
- Lack of job opportunities
- High level of child headed households
- High cost and benefits as well as the increase in staff compliments
- Need for more access roads in the rural areas
- Capital expenditure being concentrated mostly in the urban area
- Need for an FET college within the area

Changes effected in the final 2013/2014 MTREF compared to the draft 2013/2014 MTREF that was tabled for community consultation, include:

- Provision for carrying over of capital projects from the current year totaling R700000,00

- An amount of R9,7 million for additional staffing cost. It is recommended that this be reviewed as it is not financially feasible and would place an additional burden on the rate payers.

Concerns must be expressed that this budget is unfunded therefore serious consideration must be given to reduce expenditure as all attempts by the CFO to have departments reduce the budget has failed.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);

- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

| NKPA 1: Municipal Transformation and Institutional Development | | | | |
|---|--|--|--|------------------------------------|
| KPA | KPI | Strategic Objective | Performance Target | Departmental Responsibility |
| 1.1 IDP preparation and Reporting | To ensure effective planning and reporting processes in line with prescribed legislation | <ul style="list-style-type: none"> - Preparation and submission of the 2012/13-2016 IDP for approval | <ul style="list-style-type: none"> - Final 2013/14 Revised IDP to be submitted to council by 31 May 2013 for approval | Planning department |
| 1.2 Institutional capacity | To ensure that council has sufficient capacity to meet service delivery demands | <ul style="list-style-type: none"> - To ensure alignment of organogram to development objectives (IDP) - Assessment of existing and required skills for council staff - Reduction of level of illiteracy among elementary employees - Upliftment and improvement | <ul style="list-style-type: none"> - Organogram to be reviewed and adopted by 30 May 2013 - Skills Development Plan to be completed by 30 September 2012 - To ensure that the level of illiteracy among elementary employees is reduced at least by 10% each year | Corporate services Department |

| | | | | |
|---|--|--|--|--|
| | | nt of skills within the organization | | |
| 1.3 Human Resource Management | To ensure effective HR function | <ul style="list-style-type: none"> - Review of Work Skills Plan - Formulation of a HR policy - Review of Employment Equity Plan | <ul style="list-style-type: none"> - 2013/14 Work Skills Plan reviewed by 30 June 2013 - HR policy adopted by 30 June 2013 - Employment Equity Plan reviewed by 30 January 2013 | Corporate Services Department |
| 1.4 Organizational Performance Management | Ensure the implementation of the performance Management Framework for 2012/13 through the measurement and reporting of performance of the municipality as an institution | <ul style="list-style-type: none"> - Submission of draft annual performance report to Auditor General - Quarterly internal audit reviews - Submission of mid-year performance reports to council and COGTA PMS - | <ul style="list-style-type: none"> - Draft annual performance report submitted to AG by 31 August 2012 - Quarterly performance reports submitted to council - Mid-year performance report submitted to council by 30 April 2013 | Planning Department |
| 1.5 Individual Performance Management | Ensure the implementation of the Performance Management Framework for 2012/13 through the management and reporting of performance of the S56 managers | <ul style="list-style-type: none"> - 7 performance agreements signed and submitted to COGTA - Quarterly performance assessments | <ul style="list-style-type: none"> - Performance agreements submitted to COGTA by 30 September 2013 - Performance assessments to be conducted on a quarterly basis | Planning Department; Office of the Municipal Manager |
| 1.6 Organizational | Organizational | - Facilitate | - Transfer of | Office of the |

| expansion | expansion and diversification to accelerate service delivery | transfer of disaster management services to protection services department | Disaster Management services from Umzinyathi district to Umvoti municipality process completed by 30 December 2012 - Appointment of Manager Disaster management by 30 July 2012 - Appointment of Manager Physical Environment by 30 September 2012 | Municipal Manager, Protection Services Department, |
|--|--|--|--|--|
| NKPA 2: Delivery of Basic Services and Infrastructure Development | | | | |
| KPA | KPI | Strategic Objective | Performance Target | Departmental Responsibility |
| 2.1 Electricity | To ensure provision of electricity by reducing electricity backlog | - To reduce electricity backlog in traditional areas - Reduction of infills backlog in identified areas - Electrification of 797 households in the following areas: o Ngome(388) o Mdelelan to (159) | - Electricity backlog reduced - infills completed - Review and adoption of the Electricity Service Delivery Plan by 30 December 2012 | Physical Environment Department, Eskom, Department Of Energy |

| | | | | |
|-----------|--|---|--|----------------------------------|
| | | <ul style="list-style-type: none"> ○ Muden (250) - Review Electricity Service Delivery Plan | | |
| 2.2 Roads | <ul style="list-style-type: none"> - Provision of proper road infrastructure - Construction of new roads | <ul style="list-style-type: none"> - Review and update of the maintenance schedule - Rehabilitation of the following roads: <ul style="list-style-type: none"> ○ Bell street (Sarg str to York) ○ Sargeant str (Maitland to Shepstone) ○ York str (Oakes to Shepstone) ○ Scott str (York to Cooper) ○ Mitchell Str lane ○ Mitchell Str (York to Cooper) ○ Cooper str (Maitland to Mitchell) ○ Cooper | <ul style="list-style-type: none"> - To review and update the maintenance schedule by 30 September 2012 - Rehabilitation of town roads completed by 30 June 2013 - New roads constructed by 30 January 2013 | Physical Environment Department, |

| | | | | |
|-------------|------------------------------------|--|--|---------------------|
| | | <ul style="list-style-type: none"> str (Maitland to Mitchell) ○ Dr Atherstone str ○ Waterworks rd ○ Maitland str (Pine to York) ○ Pine str (Maitland to Mitchell) ○ Zondi rd extension ○ Jabula road ○ Construction of new roads (13.6 Km) | | |
| 2.3 Housing | To facilitate provision of housing | <ul style="list-style-type: none"> - To obtain suitable land housing development - To ensure completion of current housing projects - Secure funding for gap housing development | <ul style="list-style-type: none"> - To identify and secure suitable land for housing development - Completion of Nhlalakahle 497, Matimatolo (600), Ntembisweni (600) Mthembu-Sithole | Planning Department |

| | | | | |
|-------------------------|---|--|---|---------------------------------------|
| | | t | (1000) housing development s by 30 June 2013 - Funding for gap housing development secured by June 2013 | |
| 2.4 Waste Management | To provide efficient waste removal services | <ul style="list-style-type: none"> - To ensure timeous waste removal for urban domestic and commercial purposes - Review of waste management By-Laws - Upgrade and maintenance of Umvoti Transfer station - Implementation of EPWP in terms of providing workers | <ul style="list-style-type: none"> - Removal of urban domestic waste at least once a per week - Removal of commercial waste on a daily basis - Adoption of waste management By-Laws by 30 June 2013 - Umvoti Transfer station to be upgraded by 30 June 2013 - To ensure participation in the implementation of EPWP through extension of waste management services by 30 January 2013 | Physical Environment Department |
| 2.5 Public amenities | Ensure efficiency in management of public amenities | Efficiency in management of public amenities | - Maximum of 20 complains received on level of service | Corporate Services Department |

| NKPA 3: Local Economic Development | | | | |
|---|--|---|--|--|
| KPA | KPI | Strategic Objective | Performance Target | Departmental Responsibility |
| 3.1 Improved public and private partnerships | Establishment of a fully functional LED Forum | <ul style="list-style-type: none"> - To establish a LED forum - To ensure optimum functionality of the forum through public participation | <ul style="list-style-type: none"> - LED forum to be established by 30 December 2012 - LED Forum to meet at least once a quarter | Planning Department |
| 3.2 Improved economic growth within Umvoti area | To stimulate economic growth | <ul style="list-style-type: none"> - To review LED and Tourism Strategy - To formulate a SMME Development and Support Plan | <ul style="list-style-type: none"> - LED and Tourism Strategy reviewed and adopted by 30 June 2013 - SMME Development and Support plan completed by 30 January 2013 | Planning Department |
| 3.3 Poverty alleviation | To ensure through interdepartmental (internal and external) partnerships | <ul style="list-style-type: none"> - Effective Implementation of Indigent policy - Extending waste removal services to develop and empower local small businesses - To prioritize projects and initiatives focusing on | <ul style="list-style-type: none"> - Adoption and implementation of the indigent register by 01 July 2012 - Appointment of local cooperatives to undertake waste removal services by 30 January 2013 | Planning Department, Physical Environment Department, Corporate Services, Finance Department |

| | | <ul style="list-style-type: none"> poverty alleviation - Ensure full participation on Operation Sukuma Sakhe - To create jobs through EPWP by means of capital projects | <ul style="list-style-type: none"> - Participation on monthly Operation Sukuma Sakhe meetings - To create 500 job opportunities by 30 June 2013 | |
|---|---|---|--|---|
| 3.4 Compliance with Business Act No 71 of 1991 | | <ul style="list-style-type: none"> - To ensure that all businesses trading within Umvoti municipal area of jurisdiction are licensed and managed - To regulate and manage informal trade within Umvoti area of jurisdiction | <ul style="list-style-type: none"> - Licensing of businesses trading within Umvoti - Adoption and promulgation of Reviewed Informal Traders By-Laws by 30 June 2013 | Planning Department, Corporate Services |
| NKPA 4: Good Governance and Public Participation | | | | |
| KPA | KPI | Strategic Objective | Performance Target | Departmental Responsibility |
| 4.1 Batho Pele Principles | Foster participatory democracy through a caring, accessible and accountable service | <ul style="list-style-type: none"> - Promote sound participatory and transparent governance - Optimize effective community participation in the ward | <ul style="list-style-type: none"> - Ensure that the public is made aware of council activities on a quarterly basis - Meeting of ward committees and ward communities | Corporate Services Department |

| | | committee system - To ensure capacity building of ward committees | at least once per quarter - Ward committees to be trained by 30 May 2013 | |
|---|---|---|--|-------------------------------|
| 4.2 Public Participation | Ensure regular meetings are held with ward committees regarding municipal affairs | To enable communities to interact with Council representatives | Preparation and distribution of municipal newsletter on a quarterly basis | Corporate Services Department |
| NKPA 5: Financial Viability and Management | | | | |
| KPA | KPI | Strategic Objective | Performance Target | Departmental Responsibility |
| 5.1 Budgeting and Reporting | To ensure effective planning, execution and management of budgetary processes in line with prescribed legislation | - Preparation and submission of the 2013/14 Budget for approval - Formulation of the SDBIP for 2013/14 financial year in line with the IDP objectives - Preparation and submission of midyear budget adjustment - Reconciliation on reports of expenditure and budget - Submission of budget report - Monthly financial reporting to | - Final budget to be submitted to council by 25 June 2013 for approval - Reviewed SDBIP to be adopted by 7 December 2012 - Midyear budget report to be submitted to council by 31 January 2013 for approval - Reconciliation report of expenditure and budget to be tabled on a monthly basis - Submission of quarterly budget reports to council for noting | Finance Department |

| | | | | |
|---|--|--|--|---|
| | | council and treasury | | |
| 5.2 Revenue enhancement | Implementation of revenue enhancement policies | <ul style="list-style-type: none"> - To review and implement the Municipal Property Rates Policy - To review and implement a credit control policy | <ul style="list-style-type: none"> - Submission of Municipal Property Rates Policy to council for approval - Submission of a credit control policy to council for approval | Finance Department, Corporate Services Department |
| 5.3 Produce Annual Financial Statements | To produce the annual financial statements by 31 August 2013 | Submit annual financial statements to the auditor general by 31 August 2013 | Submission of annual financial statements by 31 August 2012 | Finance Department |
| 5.3 DORA Reports | To compile monthly financial statements and DORA reports for council and provincial treasury | To submit the reports timeously in terms of legislative requirements to council and provincial treasury | Monthly submission of financial statements and DORA reports | Finance Department |
| 5.4 Manage Revenue | To ensure all revenue is collected | To send out account on a monthly basis | Accounts be rendered on a monthly basis | Finance Department |
| 5.5 Asset Management | To ensure an updated assets register is compiled | To ensure that the asset register is compiled in terms of GRAP principles | Quarterly reports to be submitted to the CFO | Finance Department |
| 5.6 Supply Chain Management System | To ensure proper functioning of the Supply Chain management process | To ensure that committees are established and functioning | Supply chain management policy is reviewed by 30 June 2013 | Finance Department |
| 5.7 Compile new valuation roll | Compile a new valuation roll for the new valuation | To issue tenders for the appointment of | Valluers to be appointed by 30 March 2013 | Finance Department |

| | cycle for the period 2013 to 2016 | valluers | | |
|---|--|--|---|---|
| 5.8 Expenditure control | Ensure effective management of municipal budget | Effective management of municipal budget | <ul style="list-style-type: none"> - Ensure 100% expenditure of grants and capital budget - Ensure 100% or less of operational budget | Finance Department |
| NKPA 6: Spatial Development and Environmental Management | | | | |
| KPA | KPI | Strategic Objective | Performance Target | Departmental Responsibility |
| 6.1 Umvoti Five Year Spatial Development Framework | Formulation of a five year Spatial Development Framework | Appointment of service provider for the formulation of the five year Spatial Development Framework | Completion and adoption of the Umvoti Five Year Spatial Development Framework by 30 June 2013 | Planning Department |
| 6.2 Environmental Planning and Management | Develop an Environmental Management Programme | Formulation of an Environmental Management programme | Completion and adoption of the Umvoti Environmental Management Programme by 30 May 2013 | Planning department and Physical Environment Department |

In order to ensure integrated and focused service delivery between all spheres of government it is important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of national and provincial priorities as set out in the table above..

2.8 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.8.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2013/14 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.8.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.8.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.8.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.8.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council and was amended soon in respect of both Operating and Capital Budget Fund Transfers.

2.8.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy is to be amended by Council. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.8.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies will be available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.9 Overview of budget funding

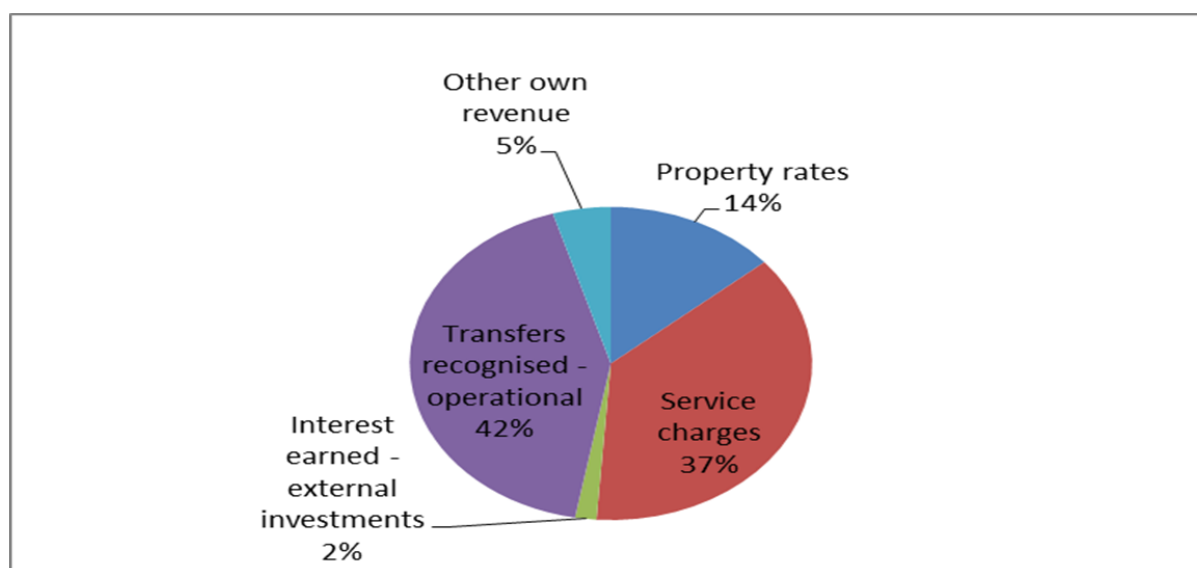
2.9.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 20 Breakdown of the operating revenue over the medium-term

| Description | 2013/14 Medium Term Revenue & Expenditure Framework | | | | | |
|--|---|-------------|------------------------|-------------|------------------------|-------------|
| | Budget Year 2013/14 | % | Budget Year +1 2014/15 | % | Budget Year +2 2015/16 | % |
| R thousand | | | | | | |
| Property rates | 21,791 | 13.8% | 22,881 | 13.8% | 2,256 | 1.5% |
| Service charges | 58,953 | 37.3% | 61,900 | 37.3% | 64,994 | 42.7% |
| Interest earned - external investments | 2,700 | 1.7% | 7,723 | 4.7% | 8,110 | 5.3% |
| Transfers recognised - operational | 67,053 | 42.5% | 2,835 | 1.7% | 2,977 | 2.0% |
| Other own revenue | 7,356 | 4.7% | 70,406 | 42.5% | 73,926 | 48.6% |
| Total Revenue (excluding capital transfers and contributions) | 157,853 | 100% | 165,745 | 100% | 152,263 | 100% |
| Total Operating Expenditure | 175,909 | | 184,762 | | 194,062 | |
| Surplus/(Deficit) | (18,056) | | (19,017) | | (41,799) | |

The following graph is a breakdown of the operational revenue per main category for the 2013/14 financial year.

**Figure 3 Breakdown of operating revenue over the 2013/14 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 90 per cent annual collection rate for consumer revenue;

- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2013/14 MTREF on the different revenue categories are:

Table 19 Proposed tariff increases over the medium-term

| Revenue category | 2013/14 proposed tariff increase | 2014/15 proposed tariff increase | 2015/16 proposed tariff increase |
|------------------|--|--|--|
| | % | % | % |
| Property rates | 7 | 10 | 10 |
| Solid Waste | 7 | 10 | 10 |
| Electricity | 8 | 10 | 10 |
| Other Charges | 7 | 10 | 10 |

2.10 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the five interns one has been appointed permanently from August 2012. One additional interns will be appointed with effect from 1 July 2013.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2013/14 MTREF in May 2013 directly aligned and informed by the 2013/14 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

All policies are currently under review and will serve before council soon.

2.11 Municipal manager's quality certificate

I, municipal manager of Umvoti, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Umvoti Municipality

Signature _____

Date _____